

Message Text

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ACTION AGR-20

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PASS AGRICULTURE/FAS

E.O. 11652: N/A

TAGS: EAGR, OTRA, NO

SUBJECT: NORWEGIAN GRAIN AGREEMENT

REF: TOFAS 159

1. BJORN KROKAN, IMPORT DIRECTOR, NORWEGIAN GRAIN CORPORATION (NGC), TRAVELLED TO COPENHAGEN SEPTEMBER 10 TO DISCUSS NORWAY'S DESIRE TO MOVE FORWARD ON THREE YEAR AGREEMENT FOR PURCHASE OF UP TO 1,050,000 TONS U.S. GRAINS AND HIS PLANS TO VISIT WASHINGTON SEPTEMBER 19 AND 20 TO MEET WITH BELL, NOVOTNY, PENCE AND/OR OTHER APPROPRIATE USDA OFFICIALS AND HALOW OF GPW. KROKAN HAS APPOINTMENT SEPTEMBER 24 WITH GOOD OF CONTINENTAL, WHO HE EXPECTS TO ARRANGE MEETINGS WITH OTHER EXPORTERS AS APPROPRIATE. KROKAN WILL BE ACCOMPANIED BY NGC DIRECTOR FOR ADMINISTRATION KNUT VARDENAER AND THEY ARE PREPARED TO REMAIN IN US UNTIL AGREEMENT IS SIGNED, IF FEASIBLE.

2. NGC CONFIDENTIAL DRAFT OF AGREEMENT IT IS PREPARED TO SIGN WITH AMERICAN GRAIN COMPANIES READS AS FOLLOWS:

A. COMMODITY AND QUANTITY:

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THE BUYERS (NGC) AGREE TO PURCHASE AND THE SELLERS (US

EXPORTERS), SEVERALLY AND NOT JOINTLY, AGREE TO SUPPLY, US GRAINS (WHEAT, RYE, CORN, SORGHUM, BARLEY) IN THE QUANTITIES OF A MINIMUM OF 450,000 METRIC TONS AND A MAXIMUM OF 1,050,000 M.T. FOR SHIPMENT FROM AMERICAN PORTS DURING THE 3-YEAR PERIOD BEGINNING SEPTEMBER 1, 1975 AND ENDING AUGUST 31, 1978. COMMODITIES AND QUANTITIES TO BE TRADED UNDER THIS AGREEMENT SHALL - IF NOT ALREADY CONTRACTED - BE DECLARED ANNUALLY BY THE BUYERS BY SEPTEMBER 1, AND SHALL IN TOTAL BE NOT LESS THAN 150,000 M.T. AND NOT MORE THAN 350,000 M.T. IN ANY ONE YEAR OF THE AGREEMENT. ALL QUANTITIES ARE ALLOWED A TOLERANCE OF 10 PERCENT MORE OR LESS.

B. PROCUREMENT PROCEDURE:

- I. THE GRAIN UNDER THIS AGREEMENT SHALL BE HANDLED BY OPEN TENDERS.
- II. TENDERS TO BE HELD PURSUANT TO NORMAL PRACTICE, AND THE SELLERS, SEVERALLY AND NOT JOINTLY, SHALL SUBMIT THEIR INDIVIDUAL COMPETITIVE OFFERS TO THE BUYERS THROUGH THEIR RESPECTIVE LOCAL AGENTS. EVERY SELLER TO RESPOND TO EACH TENDER.
- III. THE BEST QUALIFIED OFFER WITH THE LOWEST PRICE WILL IN GENERAL BE ACCEPTED, BUT THE BUYERS RESERVE THE RIGHT TO WITHHOLD THE ACCEPTANCE, TO NEGOTIATE OR TO RE-TENDER.
- IV. UNLESS OTHERWISE SPECIFIED, ALL TENDERS WILL CALL FOR PRICES FOB VESSEL US PORT.

C. PAYMENT:

AS AGREED WITH THE INDIVIDUAL PARTIES IN THE INDIVIDUAL CONTRACTS.

D. OTHERS:

ANY AMENDMENT TO OR EXTENSION OF THIS AGREEMENT MAY BE MADE BY MUTUAL CONSENT IN WRITING.

3. ABOVE DRAFT LANGUAGE REPRESENTS NGC PRESENT THINKING BUT THEIR PROPOSAL IS SUBJECT TO MODIFICATION PRIOR TO KROKAN'S ARRIVAL US AND IS SUBJECT TO FURTHER NEGOTIATION. WIDE RANGE BETWEEN MINIMUM AND MAXIMUM AMOUNTS IS DUE PRIMARILY TO NGC CONSIDERATION FOR POSSIBLE INCREASES IN NORWEGIAN PRODUCTION, WHICH THIS YEAR IS NOW EXPECTED TO REACH RECORD LEVEL. MAXIMUM AMOUNT IN DRAFT WAS INCREASED FROM 750,000 TO 1,050,000 TONS DURING COURSE OF KROKAN'S DISCUSSION
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IN COPENHAGEN.

4. NGC HOPES TO CONCLUDE AGREEMENT WITH THE SIX US-OWNED GRAIN EXPORTERS WHO HAVE LOCAL AGENTS AND WHO HAVE TRADITIONALLY BEEN PRINCIPAL SUPPLIERS OF US GRAIN TO NORWAY. HOWEVER, IF NOT ALL OF THESE COMPANIES WISH TO SIGN SUCH AN AGREEMENT WITH NGC, KROKAN IMPLIED THAT NGC WOULD BE WILLING TO SIGN WITH FEWER COMPANIES.

5. PRIMARY OBJECTIVES OF MEETINGS WITH WASHINGTON OFFICIALS,
AS EXPLAINED BY KROKAN, ARE AS FOLLOWS:

A. IMPRESS UPON USDA NORWAY'S STRONG DESIRE FOR CON-
CLUDING LONG TERM AGREEMENT WITH US, AS IT HAS DONE WITH OTHER
SUPPLIERS.

B. OBTAIN USDA'S VIEWS ON LONG TERM AGREEMENT PROPOSAL
IN PRINCIPLE.

C. OBTAIN AN USDA DETERMINATION AS TO WHETHER QUANTITY
DECLARED ANNUALLY, AS PROVIDED IN DRAFT LANGUAGE PARA 2 ABOVE,
CAN QUALIFY AS REGISTERED US SALE AT TIME OF DECLARATION.

6. SUPARAGRAPH C ABOVE IS OBVIOUSLY KEY CONSIDERATION AND
NGC IS MOST HOPEFUL THAT A PROCEDURE CAN BE WORKED OUT WHICH
WILL QUALIFY NGC ANNUAL COMMITMENT TO PURCHASE SPECIFIC
QUANTITIES AS REGISTERED SALES. OTHERWISE, NGC WOULD SEE
AGREEMENT WITH US TO BE OF LIMITED VALUE.

7. NGC POINTS OUT THAT ITS DRAFT PROPOSAL IS FOR SHIPMENT NOT
BEFORE SEPTEMBER 1, 1975. NGC STATES IT HAS PUT IT IN THIS
TIME FRAME OUT OF CONSIDERATION OF TIGHT US SUPPLY SITUATION THIS
CROP YEAR AS WELL AS THE FACT THAT NORWAY'S 1974/75 REQUIRE-
MENTS ARE ALREADY LARGELY COVERED. NGC IS HOPEFUL THAT THE
TIME FRAME OF THE AGREEMENT WILL FACILITATE US CONCLUSION OF
AGREEMENT ALONG LINES OF DRAFT PROPOSAL.
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